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UBER TECHNOLOGIES, INC.
and OTTOMOTTO LLC

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

WAYMO LLC,

Plaintiff,

v.

UBER TECHNOLOGIES, INC.,
OTTOMOTTO LLC; OTTO TRUCKING LLC,

Defendants.

Case No. 3:17-cv-00939-WHA

**DEFENDANTS UBER
TECHNOLOGIES, INC. AND
OTTOMOTTO LLC'S RESPONSE
TO WAYMO'S OFFER OF PROOF
REGARDING ADMISSIBILITY OF
CERTAIN MARKET AND
FINANCIAL INFORMATION**

Judge: The Honorable William Alsup

Trial Date: February 5, 2018

1 **I. INTRODUCTION**

2 Waymo's attempt to repeatedly flash billion-dollar figures in front of the jury is
3 completely improper and should be rejected. These huge numbers are a thinly veiled attempt to
4 "skew the damages horizon" for the jury and to etch large numbers into the jurors' minds. These
5 figures are entirely irrelevant to any appropriate measure of damages. This is *not* a lost profits
6 case, as both Waymo and its own now-excluded expert have conceded. And Waymo's
7 astronomical figures are untethered to the actual eight trade secrets at issue here. Noticeably
8 absent from Waymo's offer of proof is any method to apportion these numbers to the value of
9 each trade secret, as it must do. That fact alone compels that the evidence be excluded.

10 Waymo's arguments in its offer of proof also fail. First, Waymo's and the industry's
11 projected revenues on autonomous vehicles is not relevant to reasonable royalty because they
12 don't speak to the value of the eight trade secrets at issue here. And even if it were relevant to
13 reasonable royalty, the revenue projections should not be admitted during the first phase of the
14 trial that focuses on unjust enrichment. Second, revenue projections should not be admitted to
15 prove motive, which is not even an element of the claim or mentioned in the jury instructions.
16 Third, projected revenues for autonomous vehicles are not relevant to trade secret status because,
17 again, the projections have nothing to do with the value of each trade secret at issue here.

18 Finally, Waymo relies extensively on an expert report from one of Uber's former experts,
19 E. Allen Jacobs.¹ Waymo's Offer of Proof ("OOP") at 2-3, 6. But this expert is not on Uber's
20 witness list and will not testify at trial. In addition, he is a mergers and acquisitions expert who
21 did not opine on damages or issues relating to damages. Instead, he opined on the structure and
22 terms of the Otto acquisition. Not only will that testimony not be offered at trial, but testimony
23 concerning the structure of the Otto acquisition is completely irrelevant to whether Waymo can
24 submit evidence of its own projected revenues from autonomous vehicles.

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28 ¹ Waymo mistakenly calls him "Michael Jacobs" throughout its brief.

II. ARGUMENT

A. Waymo Cannot Apportion These Figures

Because Waymo has no method to apportion these projected revenue figures from autonomous vehicles to the eight particular trade secrets at issue here, the evidence should be excluded. It's not even a close call. Whether the entire autonomous vehicle industry will be making billions of dollars from autonomous vehicles in ten years has nothing to do with the value of these eight trade secrets. The trade secrets at issue here are directed to discrete components of LiDAR, which is itself merely one of many components in an autonomous vehicle. *See* Dkt. 1617, Ex. 19 at 9. Take TS 7 for example. Waymo wants to walk the jury through Waymo's own speculative multi-billion dollar future profit projection and suggest that it is somehow relevant to TS 7. But Waymo has no admissible evidence showing that TS 7 contributes even a single dollar to Waymo's autonomous vehicle revenues. In fact, Waymo cannot even apportion its future revenue projections to LiDAR overall, let alone the specific features of LiDAR at issue here.

The Federal Circuit has repeatedly warned about failing to apportion and admitting large numbers that are untethered to the actual trade secrets or patented features at issue in the case:

In *Garretson*, the Supreme Court affirmed a special master's report that the patentee had submitted no proof of its damages because it failed to apportion to the value of the patented feature. *Id.* at 121–22, 4 S. Ct. 291. ***Likewise today, given the great financial incentive parties have to exploit the inherent imprecision in patent valuation, courts must be proactive to ensure that the testimony presented—using whatever methodology—is sufficiently reliable to support a damages award.*** *See Summit 6, LLC v. Samsung Elecs. Co.*, 802 F.3d 1283, 1296 (Fed. Cir. 2015) (“[E]stimating a reasonable royalty is not an exact science.”); *VirnetX*, 767 F.3d at 1328 (explaining that a district court must exercise “its gatekeeping authority to ensure that only theories comporting with settled principles of apportionment were allowed to reach the jury”). And as we have repeatedly held, “[t]he essential requirement” for reliability under *Daubert* “is that ***the ultimate reasonable royalty award must be based on the incremental value that the patented invention adds to the end product.***” *Ericsson*, 773 F.3d at 1226. In short, apportionment.

...

Our cases provide two justifications for this principle [the smallest salable patent-practicing unit principle]. First, ***“[w]here small elements of multi-component products are accused of infringement, calculating a royalty on the entire product carries a considerable risk that the patentee will be improperly compensated for non-infringing components of that product.”*** *Id.*; see also *Garretson*, 111 U.S. at

121, 4 S. Ct. 291 (“[The patentee] must separate [the patented improvement’s] results distinctly from those of the other parts, so that the benefits derived from it may be distinctly seen and appreciated.”). Second is the “important evidentiary principle” that *“care must be taken to avoid misleading the jury by placing undue emphasis on the value of the entire product.”* *Ericsson*, 773 F.3d at 1226. As we stated in *Uniloc USA, Inc. v. Microsoft Corp.*, *disclosure of the end product’s total revenue “cannot help but skew the damages horizon for the jury, regardless of the contribution of the patented component to this revenue.”* 632 F.3d 1292, 1320 (Fed. Cir. 2011).

Commonwealth Sci. and Indus. Research Org. v. Cisco Sys., Inc., 809 F.3d 1295, 1301-1302 (Fed. Cir. 2015) (emphasis added).

Here, it’s undisputed that an autonomous vehicle is a multi-component product. Waymo should have attempted to calculate a reasonable royalty by reference to revenues from the component parts at issue here, such as the printed circuit boards or lenses. Instead, Waymo improperly seeks to use projected revenues from autonomous vehicles, which is “the end product’s total revenue” and it “cannot help but skew the damages horizon for the jury, regardless of the contribution of the [trade secrets] to this revenue.”² *See id.* at 1302 (internal quotation marks omitted).

With no method to apportion these multi-billion dollar figures to the trade secrets at issue here, the evidence should be excluded as not relevant, unfairly prejudicial, and likely to mislead and confuse the jury.

B. Waymo’s Future Revenues Not Relevant to Reasonable Royalty³

Evidence of Waymo’s future profits should not be admitted to establish a reasonable royalty for several reasons. First, reasonable royalty will not be decided during the first phase of the trial. Damages evidence relevant only to a reasonable royalty should be admitted only if the jury first finds that Uber used or disclosed a valid trade secret *and* unjust enrichment damages are

² Waymo states in a footnote that it intends to introduce portions of its baseline P&L statement—including launch and scaling plans—through normal procedures. Waymo OOP at 2 n.1. It would be improper to do so. Waymo’s launch and scaling plans for autonomous vehicles have nothing to do with unjust enrichment or reasonable royalty. Likewise, it is not relevant to whether the purported trade secrets are valid or misappropriated and admitting them into evidence would cause unfair prejudice, mislead the jury, and confuse the issues.

³ Waymo’s offer of proof does *not* argue that its projected revenues are relevant to unjust enrichment. Nor could it because Waymo’s or the entire industry’s projected profits are simply not relevant to any unjust enrichment to Uber.

1 not calculable.⁴ 01/03/2018 Penultimate Jury Instructions on Trade Secret Misappropriation,
 2 Dkt. 2449 at 9.

3 Second, Waymo's future revenues from autonomous vehicles are not relevant to a
 4 reasonable royalty analysis. Waymo's offer of proof does not even identify which *Georgia*
 5 *Pacific* factor it believes covers its projected revenues. Factor 8 is the only factor that expressly
 6 addresses the licensor's profitability, but *the parties agree that Factor 8 is not applicable to this*
 7 *case and they agreed to drop it. See* 11/17/2017 Joint Proposed Jury Instructions re Reasonable
 8 Royalty, Dkt. 2229 at 8-9. Factor 8 is not relevant because it is directed to the "established
 9 profitability" of the product embodying the trade secret—the parties agree there is no *established*
 10 profitability of autonomous vehicles. *See also* Dkt. 1786-3 (Wagner Dep.) at 119:9-120:10.
 11 Indeed, the agreed instructions on reasonable royalty do not even mention the terms "revenues" or
 12 "sales." Dkt. 2229 at 8-9.

13 Finally, even if future revenues were theoretically relevant to one of the fifteen factors
 14 under *Georgia-Pacific*, in practice the admission of such large numbers incurably threatens to
 15 "skew the damages horizon for the jury," *Virnetx, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1333
 16 (Fed. Cir. 2014) (internal quotation marks omitted), and should therefore be excluded under
 17 Rule 403, *Multimedia Patent Trust v. Apple Inc.*, No. 10-CV-2618, 2012 WL 5873711, at *6
 18 (S.D. Cal. Nov. 20, 2012). The Federal Circuit has expressed serious concern that permitting
 19 parties to introduce large dollar figures with little or no relationship to a properly disclosed and
 20 valid damages model will "skew the damages horizon for the jury" and, ultimately, the verdict.
 21 *Virnetx*, 767 F.3d at 1333; *accord LaserDynamics, Inc. v. Quanta Comput., Inc.*, 694 F.3d 51, 68
 22 (Fed. Cir. 2012); *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1320 (Fed. Cir. 2011).
 23 While the Federal Circuit's decisions in *Virnetx*, *LaserDynamics*, and *Uniloc* concerned the
 24 misuse of the entire market value rule, the analogy to this case is apt. In *Uniloc*, for example, the
 25 plaintiff argued that its expert permissibly used a tiny royalty rate on the overall sales of the
 26

27 ⁴ Excluding evidence relevant only to reasonable royalty in the first phase of the trial provides an
 28 additional benefit: it maintains a clean record if the jury awards unjust enrichment damages by
 excluding irrelevant reasonable royalty evidence.

1 infringing product as a “check” on his separate analysis of a hypothetical negotiation. 632 F.3d at
 2 1311, 1318-21. The Federal Circuit rejected that argument, holding that “disclosure that a
 3 company has made \$19 billion dollars in revenue from an infringing product cannot help but
 4 skew the damages horizon for the jury, regardless of the contribution of the patented component
 5 to this revenue.” *Id.* at 1320. The same is true here. Waymo’s forecasted revenue for a product
 6 that has not been commercialized has no legal bearing on the determination of a reasonable
 7 royalty for the alleged use of components of that product, and the multi-billion dollar “cat” cannot
 8 be “put back in the bag” once Waymo introduces it. *Id.*; *see also Digital Reg of Texas, LLC v.*
 9 *Adobe Sys., Inc.*, No. C 12-1971, 2014 WL 4090550, at *4-5 (N.D. Cal. Aug. 19, 2014)
 10 (permitting introduction of “circumstances of” patent license but “not the actual amount” where it
 11 could skew the damages horizon).

12 **C. Waymo’s Future Revenues Are Not Relevant to Motive Or Trade Secret Status**

13 Waymo also claims that potentially large future revenues in the autonomous vehicle
 14 industry is evidence of Uber’s motive to steal the trade secrets. Not only is that factually wrong,
 15 but motive is not an element of the claim and has never been an issue in this case. In fact, the
 16 term “motive” does not appear anywhere in the Court’s Penultimate Jury Instructions on Trade
 17 Secret Misappropriation. *See* Dkt. 2449. To the extent Waymo seeks to elicit testimony about
 18 whether Uber believed the TaaS self-driving market was “winner take all” or “winner take most,”
 19 that can be done without the introduction of speculative, prejudicial, and irrelevant revenue
 20 projections. And Waymo’s argument should also be rejected because it would set a dangerous
 21 precedent—according to Waymo’s logic, future projected revenues for an entire industry could be
 22 shown to the jury in every trade secret case to show motive. That is not the law.

23 Waymo *selectively* quotes from a footnote in *LinkCo, Inc. v. Fujitsu Ltd.*, 232 F. Supp. 2d
 24 182 n.9 (S.D.N.Y. 2002) to argue that Waymo’s own sales projections are relevant to motive.
 25 That’s not at all what the court held in *LinkCo*. In that case, the court granted the defendant’s
 26 JMOL on the trade secret claim due to lack of evidence. *Id.* at 185 n.3. But the court later issued
 27 a written order after the trial concluded to set forth the reasoning for an earlier oral ruling as to the
 28 appropriate measure of damages in a trade secret case, *even though the trade secret claim was*

1 *dismissed. Id.* at 185. In the order, the court did not address the issue of motive, but instead
 2 addressed the issue of whether the plaintiff could rely on the defendant's sales projections as a
 3 factor in the reasonable royalty analysis for damages. The court ruled that it could not because
 4 the projections were not available before the alleged theft and therefore the projections are
 5 irrelevant, highly prejudicial to the defendant, and would tend to mislead the jury. *Id.* at 191. In
 6 a footnote, the court noted that the defendant's sales projections were admitted for the limited
 7 purpose of explaining the defendant's motive to engage in the alleged misconduct. But that
 8 evidentiary ruling was not challenged, the court did not provide any legal analysis for it in the
 9 order, and the court did not identify which of the three causes of action motive was even relevant
 10 to. Accordingly, this case does not support Waymo's argument that its own future revenue
 11 projections should be admitted to prove Uber's motive.

12 Likewise, Waymo's future sales projections are not relevant to establish trade secret
 13 status. *See* Waymo OOP at 8-9. Waymo's total projected revenues from autonomous vehicles
 14 have nothing to do with whether each of the eight trade secrets derive actual or potential
 15 independent economic value from not being generally known. Waymo's citation to *Altavion* is
 16 misplaced. In that case, the court held that the projected trade secret itself—DST—could be very
 17 lucrative in the future:

18 All of the above analysis on the independent economic value element is applicable
 19 to both Altavion's DST viewed as a protectable combination of elements and to
 20 the previously identified specific design concepts underlying Altavion's DST. (See
 21 pt. III.B., *ante*.) Regarding the misappropriated design concepts, **because those**
 22 **concepts represented the heart of Altavion's DST concept as a whole, it was**
reasonable for the trial court to infer that the potential economic value was
ascribable to those elements. Substantial evidence supports the court's finding
 that Altavion showed its alleged trade secrets had independent economic value.

23 *Altavion, Inc. v. Konica Minolta Sys. Lab. Inc.*, 226 Cal. App. 4th 26, 65 (2014).⁵ Here, Waymo
 24 does not argue (nor could it) that the eight alleged trade secrets represent "the heart" of the entire
 25 autonomous vehicle—they don't even represent "the heart" of LiDAR. As a result, Waymo's
 26

27 ⁵ Waymo also cites *MAI Sys. Corp. v. Peak Comp. Inc.*, 991 F.2d 511, 520-21 (9th Cir. 1993)
 28 without discussing that case. Waymo OOP at 8. But that case did not even address the issue of
 whether future revenues are admissible to establish trade secret status.

1 total projected revenues from autonomous vehicles should be excluded because they are not
2 relevant, would be unfairly prejudicial, and would cause juror confusion.

3 **III. CONCLUSION**

4 The Court should exclude evidence of Waymo's and the industry's projected revenues and
5 profits. Waymo's offer of proof does not identify how they are relevant to any issue to be
6 decided, and Waymo does even attempt to explain how these multi-billion dollar figures could be
7 apportioned to the eight trade secrets at issue here. Even if they had some marginal relevance,
8 admitting them would unfairly prejudice Uber, confuse the issues, and mislead the jury.

9
10 Dated: January 28, 2018

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11
12
13 By: /s/ William Christopher Carmody

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ATTESTATION OF E-FILED SIGNATURE

I, Michael A. Jacobs, am the ECF User whose ID and password are being used to file this Response. In compliance with Civil L.R. 5-1(i)(3), I hereby attest that William Christopher Carmody has concurred in this filing.

Dated: January 28, 2018

/s/ Michael A. Jacobs
Michael A. Jacobs